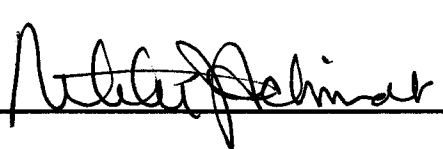


**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS  
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT <b>Auditor-Controller</b>	(2) MEETING DATE <b>May 2, 2006</b>	(3) CONTACT/PHONE <b>Lisa R. Jackson (805) 781-4846</b>	
(4) SUBJECT <b>Submittal of a summary of hotel audits for compliance with the reporting requirements of the County Transient Occupancy Tax Ordinance for the period of January 1, 2005 through December 31, 2005.</b>			
(5) SUMMARY OF REQUEST <b>The objective of our audit was to determine the propriety of the reported occupancy tax collected and verify if it was in accordance with Chapter 3.08 of the San Luis Obispo County Code. Several different types of operations were included in this year's audit sample, including two vacation rental/management companies, and five bed &amp; breakfasts. Overall, our review of eleven hotels found that all were in general compliance with the County Transient Occupancy Tax Ordinance. Of the eleven establishments audited four were found to have significant errors in their calculation of transient occupancy tax, the balance of the establishments had only minor errors. The net amount due to the County for these errors totaled \$14,496 including penalties and interest.</b>			
(6) RECOMMENDED ACTION <b>Please review the report for your information. No departmental response is required.</b>			
(7) FUNDING SOURCE(S) <b>N/A</b>	(8) CURRENT YEAR COST <b>N/A</b>	(9) ANNUAL COST <b>N/A</b>	(10) BUDGETED? <input type="checkbox"/> YES <input checked="" type="checkbox"/> N/A <input type="checkbox"/> NO
(11) OTHER AGENCY/ADVISORY GROUP INVOLVEMENT (LIST): <b>Treasurer-Tax Collector</b>			
(12) WILL REQUEST REQUIRE ADDITIONAL STAFF? <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes, How Many? _____ <input type="checkbox"/> Permanent _____ <input type="checkbox"/> Limited Term _____ <input type="checkbox"/> Contract _____ <input type="checkbox"/> Temporary Help _____			
(13) SUPERVISOR DISTRICT(S) 1st, 2nd, 3rd, 4th, 5th, <b>AII</b>		(14) LOCATION MAP <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A	
(15) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Presentation <input type="checkbox"/> Board Business (Time Est. _____)		(16) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions (Orig + 4 copies) <input type="checkbox"/> Contracts (Orig + 4 copies) <input type="checkbox"/> Ordinances (Orig + 4 copies) <input checked="" type="checkbox"/> N/A	
(17) NEED EXTRA EXECUTED COPIES? <input type="checkbox"/> Number: _____ <input type="checkbox"/> Attached <input checked="" type="checkbox"/> N/A		(18) APPROPRIATION TRANSFER REQUIRED? <input type="checkbox"/> Submitted <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	

(19) ADMINISTRATIVE OFFICE REVIEW   <div style="text-align: center;">  </div>	<div style="font-size: 2em; font-weight: bold;">B-10</div> <div style="font-size: 1.5em; font-weight: bold;">(5.2.06)</div>
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**County of San Luis Obispo**  
**Office of the Auditor-Controller**  
1055 Monterey Street Room D220  
San Luis Obispo, California 93408  
(805) 781-5040 FAX (805) 781-1220



**GERE W. SIBBACH, CPA**  
**Auditor-Controller**  
**BILL ESTRADA**  
**Assistant**

TO: HONORABLE BOARD OF SUPERVISORS

FROM: GERE W. SIBBACH, AUDITOR-CONTROLLER *by BE*

DATE: MAY 2, 2006

SUBJECT: SUBMITTAL OF A SUMMARY OF HOTEL AUDITS FOR COMPLIANCE WITH THE REPORTING REQUIREMENTS OF THE COUNTY TRANSIENT OCCUPANCY TAX ORDINANCE FOR THE PERIOD OF JANUARY 1, 2005 THROUGH DECEMBER 31, 2005.

Recommendation

Please review the report for your information. No departmental response is required.

Discussion

The objective of our audit was to determine the propriety of the reported occupancy tax collected and verify if it was in accordance with Chapter 3.08 of the San Luis Obispo County Code. Several different types of operations were included in this year's audit sample, including two vacation rental/management companies, and five bed & breakfasts. Overall, our review of eleven hotels found that all were in general compliance with the County Transient Occupancy Tax Ordinance (TOT). Of the eleven establishments audited four were found to have significant errors in their calculation of transient occupancy tax, the balance of the establishments had only minor errors. The net amount due to the County for these errors totaled \$14,496 including penalties and interest.

Other Agency Involvement/Impact

A separate report on each audited hotel was issued to the Treasurer-Tax Collector. The Treasurer-Tax Collector is responsible for the administration of the TOT Ordinance and the enforcement of all audit findings and recommendations.

Financial Considerations

The total transient occupancy tax collected by the County during the calendar year 2005 was approximately \$5,300,000.

Results

Our annual program of TOT auditing helps to insure that hotels are properly collecting the 9 percent transient occupancy tax from their customers / guests and remitting the tax to the County.

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**GERE W. SIBBACH, CPA**  
**Auditor-Controller**  
**BILL ESTRADA**  
**Assistant**

April 21, 2006

Frank L. Freitas  
County Treasurer-Tax Collector  
San Luis Obispo County  
County Government Center, Room 203  
San Luis Obispo, CA 93408

Dear Mr. Freitas:

We have completed our audit of eleven selected hotel establishments located in the unincorporated area of San Luis Obispo County. Hotels in the unincorporated area of San Luis Obispo County are required to register with the County Tax Collector for the purpose of obtaining a Transient Occupancy Tax (TOT) Permit. Registered hotels collect a nine percent occupancy tax from customers and remit the tax to the County on a monthly or quarterly basis. Our audit focused on the period January 1, 2005 to December 31, 2005.

#### Purpose

The objective of our audit was to determine the propriety of the reported occupancy tax collected and verify if it was in accordance with Chapter 3.08 of the San Luis Obispo County Code. In addition, we verified compliance with other reporting and administrative requirements of the Transient Occupancy Tax Ordinance.

#### Scope

We reviewed the monthly TOT returns submitted by eleven selected hotels in the unincorporated area of San Luis Obispo County. We reconciled the amounts reported whenever possible, to the hotel's books and records verifying total receipts, exemptions claimed, and tax remitted. We also tested samples of customer registration cards and room logs by agreeing customer names and payment amounts to the Operator's daily/monthly summaries used to calculate the TOT reported.

#### Summary

Our review of the eleven selected hotels found that all were in general compliance with the County Transient Occupancy Tax Ordinance. However, four of the eleven establishments were found to have significant errors in their calculation of transient occupancy tax and five establishments had minor errors. The net amount due to the County for these errors totaled \$14,496 including penalties and interest. We have prepared and attached a comprehensive schedule of monetary audit findings for the discrepancies found as Exhibit A.

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Frank L. Freitas, County Treasurer-Tax Collector  
April 21, 2006  
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Under separate covers to your Office, we have previously issued individual reports for each hotel audited. These separate reports served to communicate to your Office our audit findings and recommendations specific to each hotel. This report summarizes those reports and will be presented to the Board of Supervisors.

Sincerely,

Gere W. Sibbach, CPA  
Auditor-Controller

A handwritten signature in cursive script that reads "Bill Estrada".

Bill Estrada  
Assistant Auditor-Controller

c: Gina Flores, Tax Department Supervisor

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## Exhibit A

**COUNTY OF SAN LUIS OBISPO  
CALENDAR YEAR 2005 TRANSIENT OCCUPANCY TAX AUDITS  
SUMMARY OF MONETARY AUDIT FINDINGS**

HOTEL *	PERIOD AUDITED	NUMBER OF UNITS	TAXABLE REVENUES			TAXES DUE BY AUDIT FINDINGS				
			REPORTED	AUDITED	DIFFERENCE	TAXES DUE / (REFUND)	PENALTIES	INTEREST	TOTAL DUE	
1	Jan-05 - Dec-05	22	817,250.95	817,342.69	91.74	8.26	1.65	0.45	10.36	
2	Jan-05 - Dec-05	24	849,318.75	895,267.07	45,948.32	1	4,135.35	827.07	129.86	5,092.28
3	Jan-05 - Dec-05	9	308,230.11	304,732.85	(3,497.26)		(271.93)			(271.93)
4	Jan-05 - Dec-05	28	436,392.44	482,964.44	46,572.00	2	4,191.48	838.30	123.74	5,153.52
5	Jan-05 - Dec-05	11	30,170.82	30,170.82	0.00		0.00			0.00
6	Jan-05 - Dec-05	8	90,558.69	90,558.69	0.00		0.00			0.00
7	Jan-05 - Dec-05	9	287,135.45	288,041.39	905.94		81.53	16.81	5.04	103.38
8	Jan-05 - Dec-05	56	921,901.07	922,347.18	446.11		40.12	8.02	1.19	49.33
9	Jan-05 - Dec-05	9	626,212.60	497,254.66	(128,957.94)	3	(11,606.21)			(11,606.21)
10	Jan-05 - Dec-05	74	3,983,352.42	4,126,631.77	143,279.35	4	12,895.14	2,579.03	296.65	15,770.82
11	Jan-05 - Dec-05	8	148,999.78	150,710.41	1,710.63		154.71	30.79	9.25	194.75
										0.00
<b>GRAND TOTALS</b>			8,499,523.08	8,606,021.97	106,498.89	9,628.45	4,301.67	566.18	\$14,496.30	

\* Hotel names have not been included for purposes of confidentiality.

Note: The Transient Occupancy Tax rate for the period is 9%.

To summarize the monetary audit findings reported to the SLO County  
Tax Collector as a result of the above TOT audits, 2005.

F:\AUDIT\TOT2005\audit finding summary.xls\MonetaryFindingsNoNames

- 1 Pet revenues were not included in monthly reported revenues for 2005
- 2 Cleaning fee revenues were not included for the year 2005
- 3 Refunded deposits were added to revenues for the year 2005
- 4 Resort fees were not added to revenues for the year 2005

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